CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of Monday, January 24, 1983

Attendance: Chairman, Mr. G. Fisher, Prof. L. Bessner, Dr. J. Daniel, Prof. G. Martin, Prof. R. Ripstein, Ms. S. O'Reilly, Mr. Bruce Smart, Mr. C. Waters, Mr. M. Hamilton of William M. Mercer Ltd.

Regrets: Mr. M. Bourgault, Mr. R. Groome, and Miss D. Johnson

Minutes of the meeting of December 13, 1982

Professor Martin moved that the minutes of the previous meeting be accepted as presented, the motion was seconded by Mr. Smart and unanimously carried.

Mr. Smart raised the question of when employees would be receiving their 1982 benefits statement, and asked if it could be put on the agenda under "other business".

Pension Adjustments - Special Cases

Professor Martin explained that when we proceeded with the pension adjustments as approved by the Board, it was felt that the wording was not specific enough. Should this adjustment be extended to beneficiaries of Death Benefit Guarantees (a) those receiving ex-gratia pensions (b) and retired-vested terminated members (c)? Professor Martin thought the resolution was sufficiently broad to encompass Beneficiaries and Retired/Vested members but would be in favour of passing a re-worded, more specific resolution.

Mr. Hamilton pointed out that deferred annuitants are those who have subsequently retired and are receiving pensions even though they did not retire from Concordia University.

Professor Martin noted that ex-gratia pensions do not come out of the pension fund monies; there are not many of them and it doesn't amount to very much money.

Professor Bessner asked what the death benefit guarantee was, people whose spouses are collecting the pension?

Professor Martin explained that these are monies that have gone to the beneficiary of the member after the member's death, the "excess interest philosophy" should apply to all of them.

The Chairman called for a motion and Professor Martin proposed that the original motion be clarified as follows:

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BE IT RESOLVED THAT

The original motion be amended to encompass the intent to apply the pension adjustments to Beneficiaries of Death Benefit Guarantees and Retired/Vested members.

Professor Martin will adopt the same position for the ex-gratia pensions. The motion was seconded by Mr. Smart and unanimously carried.

Resolution Regarding Authorized Signatures

Professor Martin pointed out that Dr. Daniel should not be a signing authority as he is not officially a member of the Committee. He proposed Professor Ripstein instead and the revised motion was seconded by Professor Bessner and unanimously carried. The revised motion is attached as Appendix A of the minutes.

Loyola Past-Service

The Chairman remarked that he was not up to date on this agenda item due to his absence and asked Professor Martin to say a few words.

Professor Martin advised committee he had tabled a document at the last Board meeting, the basic result of which was a recommendation that the study should be completed by this Committee. We will provide progress reports to the Board by March and a recommendation could be made to the April meeting of the Board if the matter is resolved. (Professor Martin has copies of the document submitted to the Board including the framework in which the government turned us down etc.) As far as this committee is concerned there is a memo in the file regarding an alternate approach.

Mr. Hamilton noted that at the very end of the last meeting we talked about getting definitive costs whereby former Loyola employees should get the same benefits as their Sir George counterparts. Perhaps we should content ourselves with some kind of indexing. We have costed what it would amount to if full C.P.I. indexing was applied to the Manulife benefit. The cost came to 5.1 million for active members, .23 million for retired members, and .08 million for disabled members. (We could not do the calculation of the vested deferred members due to the absence of Final Average Earnings data.) This approach is slightly more expensive than applying the Sir George formula, however, it may be some months before we can get all of the salary data needed. The bulk of the cost will be for those still actively employed. The costs related to the terminated deferred members won't amount to much <u>but</u> someone has to decide whether to proceed on both of these fronts or <u>one</u> of them only.

Professor Martin asked if this 5.1 million is as of today's date?

Mr. Hamilton replied it was based on the data we had for the last valuation. We have assumed that the fund will earn 3% over the C.P.I. The costs will rise or fall, depending on the C.P.I. , but we have built in indexing.

Professor Martin noted that this could result in a funny situation vis-a-vis those who are in the plan.

Mr. Hamilton advised that there are other approaches we could take, such as using the rate of return on Canada Savings Bonds; you are limited only by your imagination. The philosophy is that you start from the principle that benefits should be equal, otherwise what should be done "out of fairness".

The Chairman noted that these are just the mechanics of arithmatic that have a practical value but shouldn't affect the decision we have to make.

Mr. Hamilton cautioned that if we find that the application of the Sir George formula requires certain facts, there could be a problem if we don't know the Date of Entry for example.

The Chairman asked if we could use a "deemed" date of entry.

Mr. Hamilton responded, as long as the rule carefully lays out the procedure and that procedure does not rely on information that we don't have.

The Chairman asked how we should arrive at a consensus.

Professor Bessner noted that the Benefits Department is trying to get data from the old Loyola documents and asked if it is possible to gather all the data and have it cleared up by March-April as suggested?

Dr. Daniel replied that it is a tough proposition and if we know what we need that is one thing, but to document it for all possible eventualities is quite another.

The Chairman asked what information was necessary and Mr. Hamilton replied something that can be used for costing. Dawn's needs for administration are different. Date of Entry into Loyola plan, earnings during the five years preceeding retirement or termination, a lot of peripheral data. It would be frustrating if, after all of the effort to come up with this information, it was decided this is not the way to go because it would be unfair for former Sir George employees.

We shouldn't have to collect all the records in order to make a policy decision. Can we not collectively decide on what might be possible policies and then determine a policy that is equitable to all no matter how its done. The inequitable thing is having a different pension on retirement. Is it possible or desirable that the employees should make a slightly higher contribution?

Mr. Smart noted he felt the indexed type of adjustment is inappropriate, we have to look at equity of benefits, opportunity to enter the plan and at both sides prior to the creation of the Concordia University Plan and take it from there.

Mr. Hamilton reiterated that the cost of granting the Sir George formula, with all of the uncertainty we have to deal with, is probably about 5.1 million. We are going to have uncertainty anyway and at the same time as the data is being gathered we can reach a decision on policy.

The Chairman asked what the $5.1 million represents in terms of annual contributions.

Professor Martin replied a 10 to 1 ratio over 15 years. There are a couple of other categories of employees that have to be looked at. We have to do a costing for the Sir George employees excluded prior to 1970 and what their contributions would have been. That is a part of the exercise we should tackle next.

The Chairman asked if Mr. Hamilton could set out the questions we have to address ourselves to, we need a list of what things we have to put together such as past employees ineligible, should they be allowed to buy back past service, to pay up their own contribution, should the University contribute. There are a lot of policy evaluations to be looked at.

Mr. Hamilton indicated he could provide a list of questions also the other groups and for each of these groups the date of entry and what you expect them to contribute.

Professor Martin reviewed the membership criteria of the two former plans at the board.

Professor Bessner noted his concern regarding a critical path, funding over 15 years from surplus funds or funds out of other sources, retirements etc. Part of the motion made was to explore ways and means of financing.

The Chairman noted $500,000. per year is needed to fund the Loyola side only. Mr. Hamilton remarked that we may find that this $5.1 million will come from excess funding somewhere down the road. It may turn out that the impact on the University's contribution will be substantially different.

The Chairman asked what the University's contribution is now?

Mr. Hamilton replied $400,000. plus 4.6% of covered payroll is required.

The Chairman noted that Committee must review the various funding sources for the additional $500,000. annual contribution. Should we consider equal benefits to all prior employees or increasing the benefits to current members in the plan only.

Professor Martin noted that membership was voluntary at Sir George, compulsory at Loyola. With respect to the Sir George participants Mr. Smart noted that after 1970 a participation option existed. If someone opted not to join the Plan should we worry about treating them equitably?

Prof. Martin noted that the biggest problem was the non-academic group, secretaries, technicians etc. who were not allowed into the Sir George plan until 1970.

Mr. Smart asked if any ex-gratia pensions had been paid to such people?

Professor Martin responded half a dozen at the most. In 1976 and 1978 the Concordia Plan brought everybody up to a minimum pension per month.

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From 1970 on retirement benefits were equated across campuses. (Through ex-gratia adjustments.)

Professor Bessner asked if the non-faculty group could be costed for us now and left in limbo for the moment.

The Chairman noted that we don't have to cost everything in order to make a policy decision. Should we open these things up at all?

Mr. Hamilton replied there is nothing legal that obliges you to do this.

The Chairman asked if we should open it up to non-faculty at Loyola as well? (Pre-merger.) We simply have to decide, in the first instance, what it is that we want to do.

Professor Martin remarked that if we go back to 1970 we will have lessened the inequity by three years of service.

Mr. Smart replied the Loyola people won't accept simply an extra three years of service. How can this plan be segregated between faculty and non-faculty, if we do something for Loyola faculty and staff then we have to do it for the Sir George Williams staff. How can we separate the two.

The Chairman remarked this may be something that would be nice to do, but it doesn't necessarily follow at the moment.

Mr. Smart asked if we go back to 1963 and say all of these years of service will count?

The Chairman noted that Committee must zero in on what it is we are trying to do.

Professor Bessner replied we are seeking equality for all employees back to 1963; with an adjustment for the few who have benefits that go back before that.

Mr. Smart added, with a difference for those who opted out.

The Chairman asked, what are the difficulties in getting this policy enunciated properly?

Mr. Smart noted he would like to follow up on Professor Bessner's question, do Human Resources have the staff to set up a special task force to research the data required.

The Chairman noted this kind of job has to be done properly but it can't take precedence over the every day functioning of the department. Perhaps some staff could be seconded for this task.

Dr. Daniel remarked that someone will have to be hired on a part-time basis to get the job done.

Professor Martin asked if we are sure the job will be worthwhile.

Mr. Hamilton cited a typical example of someone who left Sir George in 1972, kitchen staff, two years in the Plan, but at Sir George 12 years, 10 years non-contributory, 2 years contributory, outside of the University for the last 10 years, we don't even know where these people are. There are a lot of tricky little questions like this that will take ages to straighten out.

Professor Martin remarked, another variation, when we come to the question of cost is to only go so far at this time; then perhaps go back further as we get the cost figures.

Professor Bessner added we can solve the question for 85% of the people and create a reserve fund for the other 15% then we can be said to have done our jobs.

The Chairman noted that we should be guided by standard practice, there is no reason why Concordia University should be more generous than the Provincial or Federal governments.

Professor Bessner commented that there is a large element on the Loyola Campus who feel they have been kept out of the picture for 10 to 15 years and they want some statement from the University. They want to go public sometime down the line and the University should make a statement of their policy or intended policy.

The Chairman asked what it is we expect Mr. Hamilton to produce? Can he frame a policy?

Mr. Hamilton replied he could certainly write up the questions that have to be answered.

Mr. Smart asked if Mr. Hamilton could identify the data needed.

Dr. Daniel remarked if the funding comes from within the Plan, is it the Members of the Plan or this Committee who makes the decisions.

The Chairman replied, technically the Committee has the power to make the recommendations.

Dr. Daniel added, the details have to be worked out here first, before recommendations are taken to the Board.

Professor Bessner noted there is the question of a critical path. If we have to report to the Board by April when are we going to get the information?

The Chairman replied, if Malcolm Hamilton will give us a list of questions that have to be dealt with, preferably before the next meeting, we can think about what our answers will be, discuss it at the next meeting and be very close to the information needed for the framework of a policy.

Professor Bessner asked if a special meeting could be called.

The Chairman replied in two weeks time, yes.

Pre-retirement Planning Course

Dr. Daniel noted the question is, should we offer this course as a service to our employees.

The Chairman asked if the course would be given to employees at the University?

Dr. Daniel replied yes, as part of our internal Training Programme.

The Chairman remarked that this type of course is useful.

Mr. Smart commented that the Committee should encourage the University to proceed.

Y.M.C.A. Retirement Fund - Negotiations for transfer of Members' and University Contributions (9 members)

The Chairman remarked that the letter will require follow-up with individual members, certainly people don't like signing away pension rights.

Mr. Hamilton noted he hoped we could pursuade the members, as a group, to agree to transfer their funds to the Concordia Plan.

The Chairman asked if these members really have an option. Aren't they obliged to transfer to a Canadian plan.

Mr. Hamilton replied they can remain in the U.S. Plan as inactive members.

A follow-up meeting should be arranged with the Y.M.C.A. members to review the new offer.

Long Term Disability Benefits

Mr. Hamilton noted there are two issues, firstly would it be better to provide an ultimate benefit that is tax free, that is, an employee-pay-all plan with non-taxable benefit or employer-pay-all plan with taxable benefits. The second question has to do with the percentage of benefit paid.

Mr. Smart asked what the average benefit is in similar plans.

Mr. Hamilton responded that 75% is the upper extreme of generosity, Mercer's is not aware of any plans providing over 75%. It is a question of which type of benefit is more effective for the employer to pay despite the taxability of the benefits received. From an Income Tax point of view it is <u>not</u> terribly tax effective to have employees contribute to the disability plan.

Professor Bessner commented that if we were to ask the average employee they would probably prefer to receive their money tax free.

Mr. Hamilton replied, the thing to remember is the importance of keeping the ratio of pre-disability and after-disability net income at a level that does not require a drastic drop in the employees standard of living. The comparisons provided in the working document bear this out and Concordia's Plan still provides a reasonable net-of-taxes income ratio.

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Optional Life Insurance - Non-smokers Rates

Mr. Hamilton noted he sent this out so Concordia would be aware that the group life insurance industry is developing these distinctions. At some point you may find that your best risks are going elsewhere and we have to be aware that these things are developing within both individual and group policies.

When we review the group benefit package, we should take a good look and decide whether we should go to some plan that recognizes these differences.

Professor Bessner asked when we last reviewed Life Insurance rates.

Professor Martin reminded Committee that we had reviewed the premiums and cost sharing of all the plans last fall.

Other Business

The Chairman noted Mr. Smart expects an answer to his question as to when we can expect the '82 benefits statement.

Dr. Daniel responded that we can find out for you.

Mr. Hamilton added that the administration is pursuing the issuance of statements, Concordia is concerned that these statements get out as quickly as possible.

The Chairman asked Miss O'Reilly if Committee couldn't be given a commitment at the next meeting.

It was agreed that a commitment would be made at the next meeting, February 14, and a period of discussion will be allotted to this item.

The meeting adjourned at 2:05 p.m.

Respectfully submitted,

Mildawn Johnson

NOTE: Special thanks to Libby Gardham for acting as Recording Secretary in my absence.